

**MINUTES OF A MEETING OF
THE LEMON GROVE CITY COUNCIL**

November 15, 2016

The City Council also sits as the Lemon Grove Housing Authority, Lemon Grove Sanitation District Board, Lemon Grove Roadway Lighting District Board, and Lemon Grove Successor Agency

Call to Order

Members present: Mayor Mary Sessom, Councilmember Jerry Jones, Councilmember Jennifer Mendoza, and Councilmember Racquel Vasquez.

Members absent: Mayor Pro Tem George Gastil.

City Staff present: Lydia Romero, City Manager, David De Vries, Development Services Director; Daryn Drum, Division Fire Chief; Tim Gabrielson, City Engineer; James P. Lough, City Attorney; Mike James, Public Works Director; Lt. May, Sheriff's Department; and Corinne Russell, HR Manager.

Changes to the Agenda

Mayor Sessom noted that item No. 4 Ordinance No. 442: Amending Title II (Administration and Personnel), Chapter 2.04 (City Manager) Reorganizing Authority of City Officers will be continued to the next City Council meeting.

Presentations

David De Vries introduction of Mike Viglione, Assistant Planner.

Public Comment

Lani Stacks commented on animal rights and treatment of birds in pet stores.

1. Consent Calendar

A. Approval of City Council Minutes

November 1, 2016 Regular Meeting

B. Ratification of Payment Demands

C. Waive Full Text Reading of All Ordinances and Resolutions on the Agenda

D. Amendment No. 1 of the Professional Services Agreement with Dudek for the Preparation of a Program Environmental Impact Report for the General Plan Update

E. Amendment No. 1 to the Transnet Local Street Improvement Program of Projects for FY 2017-21

F. Determination of Disability for Disability Retirement

Action: Motion by Councilmember Jones, seconded by Councilmember Mendoza, to approve the Consent Calendar passed, by the following vote:

Ayes: Sessom, Jones, Mendoza, Vasquez

Absent: Gastil

Resolution No. 2016 – 3475: Resolution of the City Council of the City of Lemon Grove Approving Amendment No. 1 of the Professional Services Agreement with Dudek for the Preparation of a Program Environmental Impact Report for the General Plan Update

Resolution No. 2016 – 3476: Resolution of the City Council of the City of Lemon Grove Approving an Amendment to the Transnet Local Street Improvement Program of Projects for Fiscal Years 2017 through 2021

Resolution No. 2016-3477: Resolution of the Lemon Grove City Council Certifying its Determination of Incapacity to the Board of Administration of the California Public Employees' Retirement System Pursuant to California Government Code Section 2116

2. Wastewater Rate Case Study and Request for District Board Direction to Notice Public Hearings for Sanitation District Board Meetings

Mike James reported that on May 3, 2015, the Sanitation District Board (Board) adopted a resolution maintaining the equivalent dwelling unit rate at \$553.17 through Fiscal Year 2016-2017 (FY 2016-17). That decision was based on cost estimates provided by the City of San Diego which included an estimated 20-year timeline to design and construct a San Diego Pure Water Program (Pure Water) program that would yield at least 83 million gallons of potable water by December 31, 2035.

However, in October 2016, the City of San Diego's City Council approved an accelerated Pure Water design and construction schedule that increased capital expenditures impacting the current four year wastewater rate study that is being finalized by NBS Government Finance Group (NBS.)

The District makes up approximately 3.6% of the participating agencies portion of 33.5%. While these costs provided in September were for preliminary planning purposes only, in October 2016, the City of San Diego's City Council approved two engineering design contracts that support an accelerated Pure Water schedule that will advance expenditures into the next four years. These unanticipated costs equal \$3,728,012 and staff recommends that the costs are accounted for in the District's wastewater rate study.

On August 16, 2016, the Board directed staff to continue to work with NBS to complete the five year wastewater rate study (through FY 2020-21) to include a connection fee analysis. The wastewater rate study is complete. Staff will continue to work with NBS to prepare and finalize the connection fee analysis and will be available for final review later this fiscal year.

Mr. James noted that the study recommends two changes. First, that the operating reserve requirement established by the Board is increased from 40% to 55%. The increase is recommended because the District experiences high peaks and valleys in its cash position throughout the year due to semi-annual revenue collection. Second, creating a capital rehabilitation and replacement reserve. This will serve as a starting point for addressing long-term capital system replacement needs by saving 3 percent of the net depreciable capital assets to assist in a 33-year replacement cycle for capital assets.

To establish a separate fund to maintain connection fee revenue pursuant to California Government Code, the connection fee analysis is currently being performed by NBS and will be presented later this fiscal year. Those fees will be deposited into this separate fund.

Due to limited number of capital improvement projects completed by the District the reserve balance is greater than the two established safeguards in place. The reserve fund is proposed to be utilized to minimize the amount and duration of rate increases to the District. Beginning in FY 2016-17 the reserve balance is estimated at \$16,507,541. At the conclusion of FY 2020-21 the reserve balance will decrease to \$9,455,605.

The discussion of new reserve funds does not restrict the use of reserve funds. The Board still has the ability move funds between reserve accounts, if needed.

Pay As You Go – With the current cash balance in the District’s reserve fund there is not a need to seek any financing to support future District capital improvement program projects. By paying cash for projects the District avoids any interest costs and/or fees associated with funding mechanisms that could be utilized for capital projects.

A critical expenditure that still remains outstanding from the current rate study is the requirement that secondary treatment construction costs may still be required in the future, even if the modified permit is approved for the next five year period. While those costs will fall outside of the next four year rate study, the total impact to the District may be significant. The last cost estimate provided by the City of San Diego for secondary treatment totaled approximately \$3.6 billion. The PA’s portion equals 33.5% (or \$1.2 billion) of which the District would be responsible for funding 1.2% (or \$43.4 million).

Staff will continue to work with the other participating agencies to reduce the costs for future secondary treatment by searching for better ways to integrate the Pure Water Program into the existing wastewater program. But if the District and PA’s are unsuccessful, and the City of San Diego continues to act unilaterally, the future cost of \$3.6 billion for secondary treatment could become a reality.

If the Board accepts the study as presented, staff recommends that the Board authorize staff to follow the timeline, shown below, to comply with Proposition 218 requirements. In order to adopt the recommended rate structure the Board must first hold two public hearings that are noticed at least 45 days prior to the public hearing. Following the hearings, the Board may proceed to adopt the recommended rates for implementation with the FY 2017-18 tax rolls.

- November 15, 2016 Board Meeting – Wastewater rate study presentation
- March 4, 2017 No later than date to provide notices to all District members
- April 18, 2017 Board Meeting – Public hearing to introduce ordinance
- May 2, 2017 Board Meeting – Second reading and adoption of ordinance
- July 1, 2017 No sooner than July 1st the new rates will take effect

As in years past, staff will continuously monitor the cost assumptions provided by the City of San Diego in addition to District expenditures. Should any assumption or District expenditures significantly increase or decrease, staff will return to the Board to re-evaluate the recommended rate structure.

As noted in the timeline above, it is recommended that the Board implement a rate increase one year before it would have been necessary. As such, staff requests that the Board approve an amendment with NBS to provide all noticing requirements to satisfy Proposition 218 as it relates to the proposed wastewater rate increases. The amendment, which will be Amendment No. 2 to the current agreement, will increase the total agreement cost by \$18,000.00. The new total contract amount payable to NBS will not exceed \$43,630.27. Staff recommends that the duration of the NBS agreement is extended from January 5, 2017 through June 30, 2017. This additional time will allow NBS and District staff to finalize the connection fees analysis as well as satisfy the noticing requirements that will also include two public hearings that NBS staff will present.

Mayor Sessom expressed concern with the unknowns and with the possibility of secondary treatment costs. She recommended that when this item comes back to the Board that different scenarios are presented for consideration. Those scenarios include the difference in rates for 40% to 55% in operational reserves between a constant rate for the remaining study and an escalated rate structure that starts low and increases.

Councilmember Jones recommended an operating reserve and environmental reserve funds along with reserving the \$3.7 million in a dedicated account.

Mike James noted the direction given to staff, is to reserve the \$3.7 million dollars in a dedicated account for pure water, increase the operation reserves, create a capital rehabilitation reserve fund, create a new connection fee fund, evaluate the difference between 40% and 55% in operational reserves, and proceed with Amendment No. 2 to the existing NBS agreement to notice and manage the public hearing process for future Sanitation District Board Public Hearings.

Public Speaker(s)

There were no requests from the public to speak.

3. Ordinance No. 441 - Zoning Amendment ZA1-600-0002, Amending the Buildings and Construction Regulations (Title 15 of the Lemon Grove Municipal Code)

On November 1, 2016, the City Council introduced Ordinance No. 441 This ordinance amends Lemon Grove Municipal Code Title 15, Buildings and Constructions, to meet state-mandated 2016 updates to Title 24 of the California Government Code (aka California Building Standards Code or CBSC) this ordinance becomes effective on January 1, 2017.

Public Speaker(S)

There were no requests from the public to speak.

Action: Motion by Councilmember Jones, seconded by Councilmember Mendoza, to adopt the resolution passed, by the following vote:

Ayes: Sessom, Gastil, Jones, Mendoza, Vasquez

Ordinance No. 441: An Ordinance of the City Council of the City of Lemon Grove, California Rescinding Chapters 15.04, 15.06, 15.08, 15.10, 15.12, 15.20, 15.24, 15.28, 15.32, 15.34, 15.36, 15.38, and 15.40 of Title 15 of the Lemon Grove Municipal Code, Entitled "Buildings and Construction", in their Entirety, and Adopting New Chapters 15.04, 15.06, 15.08, 15.10, 15.14, 15.18, 15.20, 15.22, 15.24, 15.26, 15.28, 15.30, 15.32, and 15.38 Adopting the 2016 California Building Standards Code, Including The 2016 California Administrative Code, The 2016 California Building Code, The 2016 California Residential Code, The 2016 California Electrical Code, The 2016 California Mechanical Code, The 2016 California Plumbing Code, The 2016 California Energy Code, The 2016 California Historical Building Code, The 2016 California Existing Building Code, The 2016 California Green Building Code and The 2016 California Reference Standards Code, and Local Amendments and Related Findings and Adopting The 1997 Uniform Code for the Abatement of Dangerous Buildings and Local Amendments

City Council Oral Comments and Reports on Meetings Attended at the Expense of the City. (GC 53232.3 (d))

Councilmember Jones attended SANDAG's transportation committee meeting.

Councilmember Mendoza attended the East County Chamber of Commerce's first Friday breakfast, Heal Zone meeting, the Council on American Islamic Relations, and an American Cancer Society meeting. She added that there will be a homeless taskforce meeting tomorrow at the El Cajon Police Department.

Mayor Sessom attended Airport Authority meetings and the League of California Cities luncheon.

City Manager and Department Director Reports

David De Vries reported that the Downtown Village Specific Plan Expansion community workshop will be held on December 10 between 10:00 a.m. and 12:00 p.m.

Mike James noted the Fall Turkey Camp will be November 21 – 25 and the Annual Community Bonfire will be held on December 2.

James Lough commented on the San Diego County Registrar of Voters process to certify the election results along with possible City Council meeting dates to present those results.

Closed Session

Pursuant to Government Code Section 54957: Public Employee Performance Evaluation
Title: City Manager

Closed Session Report: No reportable action was taken.

Adjournment

There being no further business to come before the City Council, Housing Authority, Sanitation District Board, Lemon Grove Roadway Lighting District Board, and the Lemon Grove Successor Agency the meeting was adjourned at 7:14 p.m.

Susan Garcia

Susan Garcia, City Clerk